

CLASSIFICATION CONFIDENTIAL **CONFIDENTIAL**CENTRAL INTELLIGENCE AGENCY
INFORMATION FROM
FOREIGN DOCUMENTS OR RADIO BROADCASTS

REPORT

50X1-HUM

CD NO.

COUNTRY Poland
SUBJECT Economic - Chemical industry, pharmaceuticalsDATE OF
INFORMATION 1951HOW
PUBLISHED Semimonthly, thrice-monthly periodicals

DATE DIST. 22 Aug 1951

WHERE
PUBLISHED Warsaw; Stockholm; Rome

NO. OF PAGES 4

DATE
PUBLISHED 15 Feb - 15 Apr 1951

LANGUAGE Polish; Swedish; Italian

SUPPLEMENT TO
REPORT NO.THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE
OF THE UNITED STATES WITHIN THE MEANING OF ESPIONAGE ACT, 50
U. S. C. 31 AND 32, AS AMENDED. ITS TRANSMISSION OR THE REVELATION
OF ITS CONTENTS IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PRO-
HIBITED BY LAW. REPRODUCTION OF THIS FORM IS PROHIBITED.

THIS IS UNEVALUATED INFORMATION

SOURCE Periodicals as indicated.

DEVELOP PHARMACEUTICAL PLANT AT JELENIA GORA;
NATIONALIZE POLISH PHARMACIESPHARMACEUTICAL PLANT REDUCES COST OF PRODUCTION -- Warsaw, Zycie Gospodarcze,
No 7, 1-15 Apr 51

In Jelenia Gora, Plant No 5 ("Labopharma") of the Associated Enterprises of the Pharmaceutical Industry produces both natural (from organs of animals) and synthetic hormones and vitamins. Synthetic drugs can be stored indefinitely without deterioration, whereas natural compounds cannot be used after being stored for a year. The plant's vitamin production is based chiefly on imported raw materials, of which the most important is ascorbic acid used for the production of vitamin C. Vitamins B₁ and B₂, multivitamins, and vitamin PP are also produced by Plant No 5. The production of vitamin PP is based entirely on domestic raw materials, part of which are produced at Plant No 5. The above preparations are produced in tablet and powder form, as well as in liquid form enclosed in ampules.

On 1 January 1950, Plant No 6, another pharmaceutical laboratory in Jelenia Gora, previously operating as an independent unit, was merged with Plant No 5. Plant No 6 produces headache powders and various healing ointments.

Plant No 5, whose current production occupies a very important position in the Polish pharmaceutical industry, started in 1946 from scratch. Its foundation was the Berlin factory manufacturing Labopharm drugs, evacuated by the Germans during the war. Actually, there was only the most primitive equipment for the production of organic compounds near Jelenia Gora in Dolny Slask, and most of the expensive equipment and apparatus remained in Berlin. After the necessary technical equipment and personnel were obtained, the factory started small-scale production of ordinary chemicals in 1946.

The factory's development can best be seen from a comparison of the number of man-hours worked in the period from 1946 to 1950. In 1946, 65,000 man-hours were worked; in 1947, 139,900; in 1948, 237,927; in 1949, 526,984, and in 1950, 737,158.

- 1 -

CLASSIFICATION

CONFIDENTIAL**CONFIDENTIAL**

STATE	<input checked="" type="checkbox"/>	NAVY	<input checked="" type="checkbox"/>	NSRB															
ARMY	<input checked="" type="checkbox"/>	AIR	<input checked="" type="checkbox"/>	FBI															

CONFIDENTIAL
CONFIDENTIAL

50X1-HUM

The increase in production served to reduce unit costs, since even with a marked increase in the volume of production and increased employment in direct production, administrative costs increase only slightly. The favorable development in administrative costs occurred at the beginning of 1950, when Plant No 6 was placed under joint management with Plant No 5. Whereas production more than doubled during 1950, the number of man-hours worked by the administration increased from 141,500 to 144,500.

The table below illustrates the reduction in unit costs by comparison of the indexes of production and number of man-hours worked:

<u>Year</u>	<u>Production Index</u>	<u>Man-Hour Index</u>
1946	100	100
1947	192	213
1948	351	363
1949	1,368	803
1950	3,041	1,124

Up to 1949 the increase in man-hours worked was proportionate to the increase in production. From 1949 a more rapid increase was noted in the production index than in the index of man-hours worked. By 1950, production was 30 times the 1946 production, but the number of man-hours had increased only 11 times. This indicates that labor productivity, a basic factor influencing internal costs, increased substantially.

The relatively large ratio of rejects, reaching 20-30 percent, is still a serious problem in the factory's operation. These rejects result from many causes and are determined by quality-control methods. The lack of penalties for producing rejects is not conducive to a reduction of defective production, which causes an increase in costs. The factory management should devote more attention to this problem, and work out a system of penalties and rewards for causing rejects or eliminating them.

The ratio of salaried employees to wage earners was 32.2 to 100. One half of the salaried group comprised office employees.

The ratio of workers in direct production to the total number employed is 71.2 to 100 at present. This ratio could be improved to a certain degree.

Women employees make up 63.8 percent of the total number employed in the factory. Of the women 83.4 percent are employed in direct production.

The factory cannot complain of a shortage of experts, since technical personnel make up 47.4 percent of the total number of salaried employees.

Remuneration to employees increased in proportion to the increase in work productivity. The average hourly earnings of a worker in the industrial group amounted to 66.27 zlotys (former value) in November 1949, and increased to 87.95 zlotys (former value) in December 1950. The earnings of workers employed in direct production were even higher. In November 1949 they amounted to 67.94 zlotys per hour, and in December 1950 to 89.52 zlotys.

The reduction in costs at the plant still leaves much to be desired. For example, in October 1949, the unit cost of synthofollin amounted to 71.29 zlotys, and in September 1950, the cost rose to 89.86 zlotys, a 25-percent increase. This increase was partly justified by the use of more expensive packaging; however, even a superficial analysis shows that the unit prime labor cost of this compound decreased only from 3.70 zlotys to 3.38 zlotys, and the administrative unit cost decreased from 1.53 zlotys to 1.01 zlotys.

- 2 -

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIALCONFIDENTIAL

50X1-HUM

For another compound -- concentrated "astrisol" -- the unit prime labor cost was 7.47 zlotys in October 1949, and 19.58 zlotys in July 1950; the administrative cost per unit of this compound amounted to 2.65 zlotys in October 1949, and 6.92 zlotys in July 1950.

The following table shows the value of inventories and goods in process, expressed as a percentage of the value of production in each of the first three quarters of 1951.

<u>Working Capital</u> <u>(Inventories and Goods in Process)</u>	<u>1st Quarter</u>	<u>2d Quarter</u>	<u>3d Quarter</u>
Raw materials	241.5	150.8	105.0
Packaging materials	16.8	17.7	14.8
Other materials	15.8	8.8	7.0
Finished products	69.0	42.7	29.8
Intermediates	10.8	7.7	1.8
Goods in process	23.3	21.9	15.0
Waste	2.0	3.3	4.6

Particularly noteworthy in the above table is the proportionate reduction in goods in process, which indicates shortening of the production cycle and a more rapid turnover of raw materials. Raw material inventories still surpassed the value of the factory's entire production and should be further reduced.

Inventories of finished products had also been greatly reduced. This indicates that distribution has been better organized.

Waste materials in warehouses, on the other hand, have been constantly increasing, and should receive more attention from the management.

Plant No 5 is now in the process of expansion. Workshops destroyed during the war are being rebuilt. New machines and equipment have already arrived at the factory, and in 1952 production will be substantially expanded, particularly in the field of chemical synthesis.

With the large number of new, unpacked, and unassembled machines lying around, and with continuous structural alterations, this plant does not have the appearance of a model factory. It is expected that after basic investments the factory will start mass production, and under new conditions all existing shortcomings will be eliminated.

POLISH DRUG ENTERPRISE DIVIDED -- Stockholm, Svensk Utrikeshandel, No 3, 15 Feb 51

In connection with the nationalization of pharmacies, the Polish enterprise Centrosan has been split up into two enterprises: Centrolek for the wholesale distribution of pharmaceuticals and Centrosprzet for the wholesale distribution of physicians' equipment.

MEDICAL SUPPLIES SCARCE -- Rome, Bollettino Danubiano, No 8, 22 Feb 51

Medical supplies have almost entirely disappeared all over Poland as a result of the 1 January 1951 decree nationalizing pharmacies and pharmaceutical laboratories. There is even a shortage of such widely used items as aspirin and quinine.

Although the nationalization decree has been long anticipated, its swift execution came as a surprise. All pharmacies were seized on the eve of the

- 3 -

CONFIDENTIAL**CONFIDENTIAL**

CONFIDENTIAL

CONFIDENTIAL

50X1-HUM

decree's announcement and owners were told to abandon even the adjacent premises used as living quarters. The owners of the pharmacies were told to be at the disposition of government authorities for the delivery of the inventory and of their records to the newly appointed managers.

Many pharmacy owners have already been arrested, charged with violating the nationalization decree.

- E N D -

- 4 -

CONFIDENTIAL

CONFIDENTIAL